2441/inst.

1989

Department of the Treasury
Internal Revenue Service

Instructions for Form 2441

Child and Dependent Care Expenses

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping,** 20 minutes; **Learning about the law or the form,** 12 minutes; **Preparing the form,** 32 minutes; and **Copying, assembling, and sending the form to IRS,** 25 minutes.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to either IRS or the Office of Management and Budget at the addresses listed in the Instructions for Form 1040.

Changes To Note

Beginning in 1989, the following new rules apply.

- You must report new information about the care provider. See the instructions for line 1.
- If you received employer-provided dependent care benefits, you must complete line 1 and new Part III to figure the amount, if any, of the benefits you can exclude from your income.
- A qualifying person must be **under age 13** (except for a disabled spouse or dependent). See **Who Is a Qualifying Person?** below.

Purpose

Child care credit.—Use Parts I and II of Form 2441 to figure the credit for child and dependent care expenses. You may be able to take this credit if you paid someone to care for your child or other qualifying person so you (and your spouse if you were married) could work or look for work in 1989.

Employer-provided dependent care benefits.—If you received benefits for 1989 under your employer's dependent care plan, use Parts I and III of Form 2441 to figure the amount, if any, of the benefits you may exclude from your income on Form 1040, line 7. (The benefits should be separately shown on your W-2 form(s) and labeled as "DCB.")

Additional Information

For more details, please get **Pub. 503,** Child and Dependent Care Expenses.

Who May Take the Credit or Exclude Employer-Provided Dependent Care Benefits?

You may take the credit or the exclusion if **all five** of the following apply:

1. The care was provided so you (and your spouse if you were married) could work or look for work (but see **Spouse who was a full-time student or disabled**, on page 2).

2. You and the qualifying person(s) lived in the same home.

3. You (and your spouse if you were married) paid over half the cost of keeping up your home. The cost includes: rent; mortgage interest; property taxes; utilities; home repairs; and food eaten at home.

4. The person who provided the care was not your spouse or a person whom you can claim as a dependent. If your child provided the care, he or she must have been age 19 or older by the end of 1989.

5. You report the required information about the care provider on line 1.

If you were **married at the end of 1989,** you generally must file a joint return to take the credit. But you will be treated as unmarried and still be eligible to take the credit if:

a. You were legally separated; or

b. You lived apart from your spouse during the last 6 months of the year, the qualifying person lived with you in your home over 6 months, and you provided over half the cost of keeping up your home.

Who Is a Qualifying Person?

A qualifying person is:

- Any person **under age 13** whom you can claim as a dependent (but see **Children of divorced or separated parents**, below).

Note: *If the person turned 13 during the year, see Pub. 503.*

- Your disabled spouse who is not able to care for himself or herself.
- Any disabled person who is not able to care for himself or herself whom you can claim as a dependent, or could claim as a dependent except that he or she had gross income of $2,000 or more.

Children of divorced or separated parents.—If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 1989, you may be able to take the credit or the exclusion even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person if **all five** of the following apply:

1. You had custody of the child for the longer period during the year.

2. The child received over half of his or her support from one or both of the parents.

3. The child was in the custody of one or both of the parents over half of the year.

4. The child was under age 13, or was disabled and could not care for himself or herself.

5. The other parent claims the child as a dependent because—

a. As the custodial parent, you signed **Form 8332,** or a similar statement, agreeing not to claim the child's exemption for 1989; or

b. Your divorce decree or written agreement that was in effect before 1985 states that the other parent can claim the child as a dependent and the other parent gave at least $600 for the child's support in 1989. But this rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child as a dependent.

What Are Qualified Expenses?

Qualified expenses include amounts paid for household services and care of the qualifying person while you worked or looked for work. Child support payments are **not** qualified expenses.

Household services.—These services must be needed to care for the qualifying person as well as to run the home. They include, for example, the services of a cook, maid, babysitter, housekeeper, or cleaning person if the services were partly for the care of the qualifying person. Do not include services of a chauffeur or gardener.

Note: *If you paid cash wages of $1,000 or more for household services in any calendar quarter in 1988 or 1989, you should file a* ***Form 940*** *or* ***Form 940-EZ*** *for 1989 by January 31, 1990.*

Care of the qualifying person.—Care includes the cost of services for the qualifying person's well-being and protection. It does not include the cost of clothing or entertainment.

You may count care provided outside your home if the care was for your dependent under age 13, or any other qualifying person who regularly spends at least 8 hours a day in your home.

Generally, care does not include food or schooling expenses. But, if these items are included as part of the total care, and they are incident to, and cannot be separated from, the total cost, you may include the total cost. You may not include the cost of schooling for a child in the first grade or above, or the expenses for sending your child to an overnight camp.

Medical expenses.—Some disabled spouse and dependent care expenses may qualify as medical expenses if you itemize deductions on Schedule A (Form 1040). See Pub. 503 for details.

Specific Instructions

Line 1

Complete columns (a) through (d) for each person or organization that provided the care. If you do not give the information asked for in each column, or if the information you give is not correct, your credit and, if applicable, exclusion of employer-provided dependent care benefits may be disallowed.

You can use **Form W-10,** Dependent Care Provider's Identification and

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Certification, to get the correct information from the care provider. If the provider does not comply with your request to certify the information, complete the entries you can, such as the provider's name and address. Write "See attached" in the columns for which you do not have the provider's certification of information. Attach a statement that you requested the information from the care provider, but the provider did not comply with the request. You must keep records to show that you exercised due diligence in attempting to provide the required information. For more details, including what is considered "due diligence," see Pub. 503.

Columns (a) and (b).—Enter the care provider's name and address. If you were covered by your employer's dependent care plan and your employer furnished the care (either at your workplace or by hiring a care provider), enter your employer's name in column (a), write "See W-2" in column (b), and leave columns (c) and (d) blank. But if your employer paid a third party (not hired by your employer) on your behalf to provide the care, you must give information on the third party in columns (a) through (d).

Column (c).—If the care provider is an individual, enter his or her social security number (SSN). For other than an individual, enter the provider's employer identification number (EIN). If the provider is a tax-exempt organization, enter "Tax-Exempt."

Column (d).—Enter the total amount you ***actually paid*** in 1989 to the care provider. Also include amounts your employer paid on your behalf to a third party. It does not matter when the expenses were incurred. Do not reduce this amount by any reimbursement you received.

Line 4

Read **What Are Qualified Expenses?** on page 1. Add the qualified expenses you incurred and actually paid in 1989. Enter on line 4 the **smaller** of that total or $2,400 ($4,800 if two or more qualifying persons were cared for).

If you received employer-provided dependent care benefits, add the total qualified expenses you incurred and actually paid in 1989 to any excluded benefits shown on line 21 of Form 2441. Reduce that total by any cash payments you received. Enter on line 4 the **smaller** of that result or $2,400 ($4,800 if two or more qualifying persons were cared for).

Note: *Do not include on line 4 expenses you incurred in 1989 but did not pay until 1990. You may be able to increase your 1990 credit when you pay the 1989 expenses in 1990.*

Lines 7 and 8

The amount of your qualified expenses may not be more than your earned income or, if married filing a joint return, the smaller of your earned income or your spouse's earned income.

Earned income generally means wages, salaries, tips, and other employee compensation. This is usually the amount shown on Form 1040, line 7. It also includes net earnings from self-employment. This is usually the amount shown on Schedule SE (Form 1040), line 3 (or 3c if you file Section B). You must reduce your earned income by any loss from self-employment. If your net earnings from self-employment were less than $1,600, and you use the optional method to figure self-employment tax, you may be able to increase your net earnings to $1,600 for this credit. Get **Pub. 533,** Self-Employment Tax, for details.

If you are **married filing a joint return,** disregard community property laws. Enter your earned income on line 7 and your spouse's earned income on line 8. If your spouse died in 1989 and had no earned income, see Pub. 503.

Spouse who was a full-time student or disabled.—If your spouse was a full-time student or was disabled in 1989, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have worked and earned income of not less than $200 a month ($400 a month if more than one qualifying person was cared for in 1989). But if your spouse also worked during any month and earned more than that amount, use his or her actual earned income.

For any month that your spouse was not disabled or a full-time student, use your spouse's actual earned income if your spouse worked during the month.

If, in the same month, both you and your spouse were full-time students and did not work, you may not use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

To be a full-time student your spouse must be enrolled in a school for the number of hours or classes that the school considers full time. He or she must also have been enrolled during any 5 months in 1989.

Line 13

If you had qualified expenses for 1988 that you did not pay until 1989, you may be able to increase the amount of credit you may take in 1989. To do this, multiply the 1988 expenses you paid in 1989 by the percentage from the table on line 11 that applies to the adjusted gross income shown on your 1988 Form 1040, line 32, or Form 1040A, line 14. Your 1988 expenses must be within the 1988 limits. Attach a computation showing how you figured the increase.

Line 14

In certain cases, the amount of credit you figured on line 14 may be limited. Some people will need to complete **Form 6251,** Alternative Minimum Tax— Individuals, because the computation of this limit uses an amount from line 15 of that form. Others, however, will not be affected by the limit and will not need Form 6251. The following will help you determine if you need Form 6251.

First, complete line 1 of the worksheet on this page.

Get Form 6251 if:

- You filed Schedule C, D, E, or F (Form 1040); **OR**
- The amount you entered on line 1 of the worksheet on this page is more than $150,000 ($112,500 if single or head of household; $75,000 if married filing separately).

If either of the above applies to you, complete Form 6251 through line 15. Skip lines 2 through 6 of the worksheet and go directly to line A of the worksheet.

If **neither** of the above applies to you, continue with line 2 of the worksheet. You may still need to get Form 6251.

Worksheet (Keep for your records)

1. Enter the amount from Form 1040, line 23 . . . . . (Add to line 1 any tax-exempt interest from private activity bonds issued after August 7, 1986, and any net operating loss deduction.)	
2. Enter $40,000 ($30,000 if single or head of household; $20,000 if married filing separately)	
3. Subtract line 2 from line 1. If the result is zero or less, **STOP HERE** and enter on Form 1040, line 41, the amount of your credit shown on line 14 of Form 2441. Otherwise, go to line 4 .	
4. Enter the amount from Form 1040, line 40	
5. Multiply line 3 by .21	
6. Subtract line 5 from line 4 (if zero or less, enter zero) . . .	

Compare line 6 of the worksheet above with the amount of credit shown on Form 2441, line 14.

- **If line 6 above is more than your credit,** you do not have to complete Form 6251. Enter on Form 1040, line 41, the amount of your credit shown on Form 2441, line 14.
- **If your credit is more than the amount on line 6 above,** get Form 6251 and complete it through line 15. Then figure the limit on your credit as follows:

A. Enter the amount from Form 1040, line 40	
B. Enter the amount from Form 6251, line 15	
C. **Maximum credit.** Subtract line B from line A (if zero or less, enter zero)	

Compare the credit you first figured on line 14 of Form 2441 with line C above. Enter the **smaller** of the two amounts on line 14 of Form 2441, and on Form 1040, line 41. If line C above is the smaller amount, also write "AMT" in the left margin next to line 41.

Line 16

Enter the total of all qualified expenses (defined on page 1) incurred in 1989 for the care of your qualifying person(s). It does not matter when the expenses were paid.

Example. You received $2,000 in cash under your employer's dependent care plan for 1989. The $2,000 is separately shown on your W-2 form and is labeled "DCB." During 1989 only $900 of qualified expenses were incurred for the care of your 5-year-old dependent child. You would enter $2,000 on line 15 and $900 on line 16.

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